



23th march 2023

Quarterly business survey of inflation expectations • 1st quarter 2023

Business leaders expect the rate of inflation to fall back to 5% in one year and to hold at 3% over the three to five year horizon

Business perception and expectations of inflation in France (consumer prices)

Our quarterly survey of inflation expectations (here defined as the increase in the consumer prices index – CPI), which is a module of the Banque de France’s Business Survey, was carried out from 24 February to 3 March. In the first quarter of 2023, median inflation as perceived by business leaders came to 6.0%, which was a little below the INSEE-measured CPI for February (6.3%). Business leaders’ one-year median inflation expectation stands at 5.0%, while their medium-term expectation – three to five years ahead – is 3.0%.

Table 1: Business perceptions and expectations of the annual inflation rate (median, %)

	2022-Q2	2022-Q3	2022-Q4	2023-Q1
Current Perceived Inflation	5.0	6.0	6.5	6.0
1-year forward inflation expectation	5.0	5.0	6.0	5.0
3-5 year forward inflation expectations	3.0	3.0	3.0	3.0

In the first quarter of 2023, the medians of perceived and expected one-year inflation fell by 0.5 percentage point (pp) and 1 pp respectively compared with the previous quarter, thus returning to their third-quarter 2022 levels. For the medium term (three to five years), the median has remained stable at 3% for four quarters. The majority of responses (55%) predicted inflation rates of 2% to 3% in three to five years’ time, while responses predicting an inflation rate above 3% declined.

Chart 1: Change in annual inflation rate perceptions and expectations (median, %)

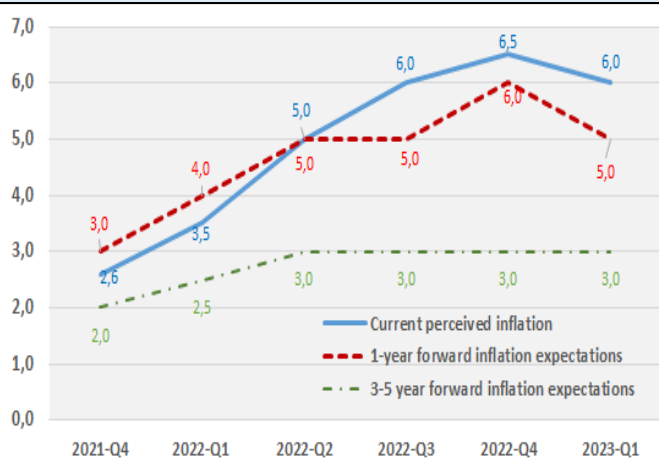
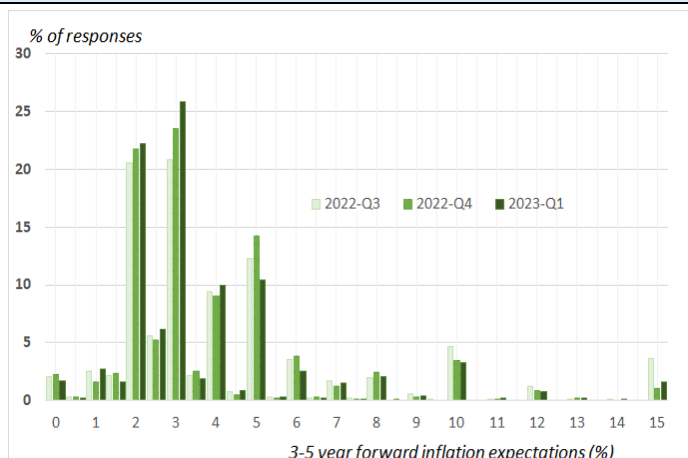


Chart 2: Distribution of three to five-year inflation expectations (%)





Base wage growth expected by business leaders

Business leaders expect base wage growth in their firms of 4.0% over the coming year (median). This expectation is stable compared to the previous quarter. The distribution of responses has changed somewhat this quarter, with a higher proportion of responses at 0% and 4% to 5% and a slight decline in expectations of 6% or more.

Chart 3: Change in one-year base wage expectation (median, %)

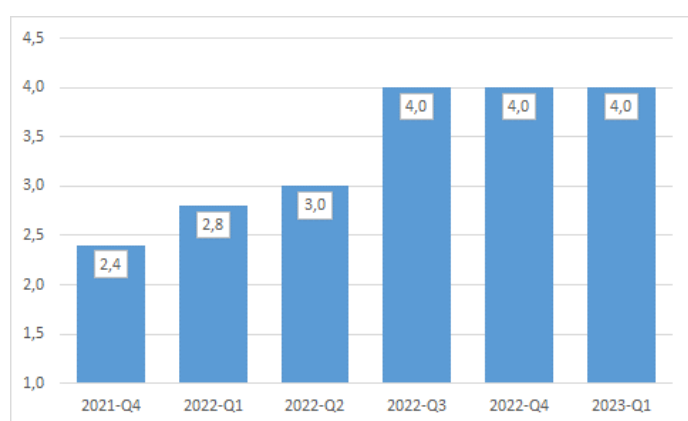
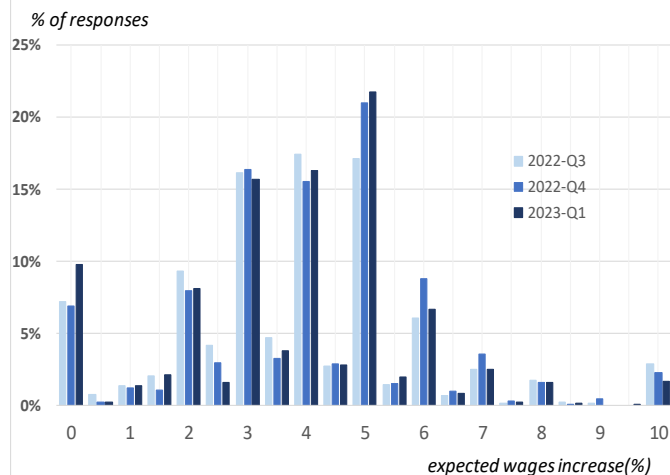


Chart 4 : Distribution of one-year expectations of base wage increases (%)



Methodology

This survey was carried out between 24 February to 3 March on a representative sample of 1,700 business leaders. The survey covers three major market sectors of the economy and firms of all sizes from every region of metropolitan France. The opinions of business leaders are obtained by telephone during the monthly interview conducted for the Monthly Business Survey and each business leader is questioned only once a year with regard to this module. Business leaders are asked four questions:

- 1 - As a percentage, what, in your opinion, is the actual rate of inflation in France?
- 2 - As a percentage, what, in your opinion, will the rate of inflation be in one year in France?
- 3 - As a percentage, what, in your opinion, will the rate of inflation be in three to five years in France?
- 4 - As a percentage, how, in your opinion, will the base wage (before tax, excluding bonuses) change in your firm over the coming 12 months?

Note that the base wage corresponds to gross salary before the deduction of social security contributions and payment of social security benefits. Bonuses and overtime are not included.

The data are trimmed at the 99th centile. To calculate the results, the replies are weighted based on the average number of employees and the relative importance of each firm within its sector, then by the respective weights of the professional branches in terms of value added at the aggregate level.

